

# Management commitment to service quality and service recovery performance of customer service officer at PT. Bank Central Asia, Tbk. Surabaya-Indonesia

L. S. Lan & J. L. E. Nugroho

*University of Surabaya, Surabaya, Indonesia*

**ABSTRACT:** The purpose of this study is to determine the effect of Management Commitment to Service Quality (MCSQ) on service recovery performance in the bank, by mediating organizational commitment and job satisfaction. Recovery efforts for service failures in banks are a very important factor because a bank is a service company that requires customer trust and customer loyalty. The research is limited to efforts to recover services that can be done by CSO until completion. The concept of MCSQ in this study refers to the research of Rod & Ashill (2010), embodied in four dimensions, namely employee awards, training, empowerment and customer service orientation. There are 4 variables with 22 indicators in this study and the number of respondents was 166 Customer Service Officers (CSOs) of PT. Bank Central Asia, Tbk in Surabaya who have worked for at least 6 months. IBM SPSS Amos software version 22.0 for Windows was used for data processing. The results confirm the research of Babakus (2003) and Rod & Ashill (2010) that show MCSQ has a significant effect on organizational commitment and job satisfaction. Furthermore, organizational commitment and job satisfaction. Furthermore, organizational commitment and job satisfaction also significantly affect the service recovery performance of CSO. This result is in line with the research of Babakus (2003) but on contrary with the results of the Rod & Ashill study (2010) which states that organizational commitment affects service recovery performance but job satisfaction does not have a significant effect on service recovery performance.

**Keywords:** management commitment, service quality, service recovery performance, customer service

## 1 INTRODUCTION

In today's competitive business environment, companies engaged in the service sector need to improve their competitive advantage by offering better services to their customers (Hasaballah, Ibrahim & Abdallah, 2014). Likewise, Bank Central Asia (BCA) Surabaya as a private bank with many branches needs to develop various strategies that can produce competitive advantage by developing human capital through various functional activities in the field of human resources, such as employee reward, training, and empowerment (Bowen & Lawler 1995; Hart et al. 1990). The experts call the three functional activities as the best indicator of management commitment to service quality construct. Pfeffer (1994) calls it the best human resource practices. In the research literature, these functional activities are examined for their simultaneous influence on employee attitudes and behavior (Forrester, 2000; Rogg et al., 2001) and these functional activities are often called Management Commitment to Service Quality (MCSQ).

The MCSQ concept and its effect on service recovery performance have been studied in a number of previous studies (Babakus et al. 2003; Rod & Ashill 2010; Ashill et al. 2008). Although a number of studies that examine the effect of MCSQ on service recovery performance have been conducted, there are still few studies in the field of human capital that involve the role of customer service orientation as a whole part of the MCSQ device. In this study, customer service orientation was reviewed as an MCSQ indicator (Lytle et al., 1998). The purpose of this study focuses on the study of the role of MCSQ (i.e. employee reward, training, empowerment, and customer service orientation) in influencing service recovery performance at BCA in Surabaya, Indonesia.

### 1.1 Management Commitment to Service Quality

Management Commitment to Service Quality (MCSQ) is defined as "employees" appraisal of an organization's commitment to nurturing, developing, supporting, and rewarding its employees to achieve service excellent (Babakus et al., 2003).

CSOs are bank employees who directly interact with customers, provide services, and handle customer complaints. Broadly speaking, the role of the CSO's duties is related to service recovery. The CSO's service recovery performance will demonstrate the quality of CSOs service.

BCA CSOs serve as frontline employees (FLEs) who contribute a crucial role in presenting services and building relationships with customers (Babakus et al. 2003) and their attitudes and behavior will determine the customers' perceived quality of service. Empowerment, reward, training, and customer service orientation collectively play an important role to elicit affective reactions from employees.

As noted earlier (Rod & Ashill, 2010), when empowerment, reward, training, and customer service orientation are implemented simultaneously, it will have an impact on employee's affective states and subsequently on their performance. Empirically, MCSQ (empowerment, reward, training, and customer service orientation) has a positive effect on job satisfaction and organizational commitment (Ashill, Rod & Carrutgers 2008). Organizations which communicate this important message by utilizing these resource practices will produce psychological contracts (Babakus et al., 2003). The process of the effect of MCSQ on organizational commitment and job satisfaction is built on Baggozzi's (1992) attitude theory: appraisal emotional response behavior. Therefore, the assessment of the effect of MCS leads to employee satisfaction and this emotional response affects employee service behavior Kim et al., (2009). Therefore, the proposed hypothesis is:

H1a: For PT BCA, Tbk. Surabaya, CSO perception of MCSQ (as manifested by empowerment, reward, training, and customer service orientation) will have a significant positive effect on their organizational commitment.

H1b: For PT BCA, Tbk. Surabaya, CSO perception of MCSQ (as manifested by empowerment, reward, training, and customer service orientation) will have a significant positive effect on their job satisfaction.

## 1.2 Organizational Commitment and Service Recovery Performance

Literature review scrutinized that the researchers have recognized that employee who is committed to their organization performs at a higher level (Mowday et al. 1979; Jaramilo et al. 2005; Meyer et al. 2002). Meyer & Herscovitch (2001) suggest that "the mind-set characterizing affective commitment is desire ...to pursue a course of action of relevance to a target". In the case of service failure in BCA,

CSO's of the bank is the organization one works for and the course of action is the effective recovery from failure to the customer satisfaction". Empirically, researchers found that organizational commitment influences service recovery performance positively (Rod & Ashill 2010). Thus, our next hypothesis is:

H2: For PT BCA, Tbk. Surabaya, CSO's organizational commitment will have a significant effect on their perceptions of service recovery performance.

## 1.3 Job Satisfaction and Service Recovery Performance

The dominant view in organizational behavior literature cited that job satisfaction is an affective state resulting from one's evaluation of his or her job (Hartline & Ferrell 1996; Yoon et al. 2001). Specifically, evidence from Kim et al. (2009) shows that job satisfaction has a positive and significant effect on customer service behavior (service recovery performance). Therefore our hypothesis of this relationship is

H3: For PT BCA, Tbk. Surabaya, CSO's job satisfaction will have a significant effect on their perceptions of service recovery performance.

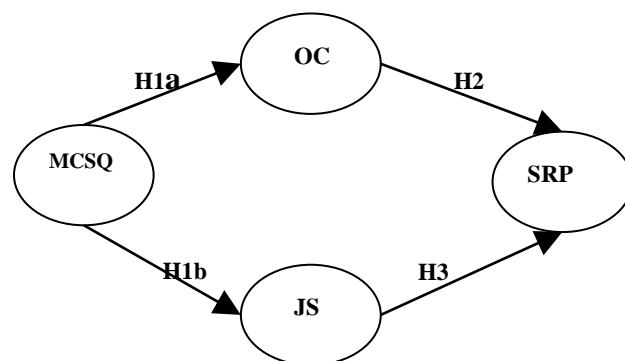


Figure 1. conceptual model

MCSQ: Management Commitment to Service Quality;  
JS : Job Satisfaction;  
OC : Organizational Commitment  
SRP : Service Recovery Performance

## 2 RESEARCH METHODS

This type of research is basic research, which is research that is generally used to test the validity of the general business theory or to learn more about a particular business phenomenon (Zickmund et al. 2012).

Management Commitment to Service Quality (MCSQ) variable was operationalized as individual

appraisal about the human resource practices of reward, empowerment, training, and customer service orientation. Organizational commitment variable was operationalized as the level of individual willingness to make additional efforts in achieving organizational goals and job satisfaction as mediating variables operationalized as employees' positive attitudes towards their work duties, and service recovery performance variable is dependent variable and operationalized as the individual's ability to respond and handle failure service.

Data collection was done through surveys with simple random sampling techniques (Neuman 2006) utilizing questionnaires distributed to 282 respondents of BCA CSOs from various BCA branches in Surabaya. Data analysis used the Structural Equation Modeling (SEM) method (Hair et al. 2013) because it uses a complex research model and in order to minimize bias due to statistical errors.

In the first stage, a model measurement analysis was conducted to examine the relationship of each construct with its indicators in order to maintain the validity and reliability of the research. In the second stage, an analysis of the structural model was carried out to assess how good the research model fits the empirical data (Hair et al. 2010). The model test was done by the technique of estimating maximum likelihood or MLE.

### 3 RESULTS AND DISCUSSIONS

The Pearson Correlation value for each statement item is used to test the validity in the measured construct; the test results show a value above 0.645 and are significant. Reliability testing in each research construct shows the value of Cronbach's Alpha above 0.684. Based on the results of the validity and reliability testing, the data analysis is carried out. In conducting the research analysis, 2 main stages were used, namely: (1) analysis of the measurement model and (2) analysis of structural models. Suitability of the measurement model with empirical data is tested using the CFA to determine the characteristics of Goodness of Fit. A test using Confirmatory Factor Analysis shows the following results:

The suitability of the measurement model with empirical data is tested using CFA in order to know the characteristics of Goodness of Fit. A test using Confirmatory Factor Analysis shows the results of measurement measurements, as follows:

Table 1. Estimated value and significance of the relationship between constructs in the structural model.

Relationship	Standardized Estimates	Critical Ratio	P-Value
OC ← MCSQ	0.601	7.020	***
JS ← MCSQ	0.726	6.326	***
SRP ← OC	0.357	3.373	***
SRP ← JS	0.553	4.985	***

\*Source: Data Processing Results

CMIN / df = 2.021, can be categorized as good fit. GFI value = 0.903, can be categorized as good fit. RMSEA value = 0.079, can be categorized as good fit. Value of CFI = 0.936; TLI = 0.915, can be categorized as good fit. Thus, the results of the Goodness of Fit measurement test in stage one show there are 3 values of the absolute fit index and 2 values of the incremental fit index. So, based on the results of the CFA analysis, it can be concluded that the measurement model can be categorized as relatively good, thereby, further analysis can be carried out to test the structural model. The results of the structural model analysis show that the value of CMIN / df = 2.0875 is categorized as good fit fulfilling the reference value; GFI = 0.893, marginal fit; RMSEA = 0.081 marginal fit; CFI = 0.929, good fit; TLI = 0.910, good fit. So, based on the values of the analysis compared to the reference values, it can be concluded that the structural model is relatively good enough to describe empirical reality so that the analysis continues to examine the relationships between constructs in the model.

The results of Hypothesis 1a testing show that MCSQ had a significant positive effect on organizational commitment. This happens because the higher the CSO's perception of the commitment of the management to realize quality services, the higher the CSO organizational commitment towards the organization.

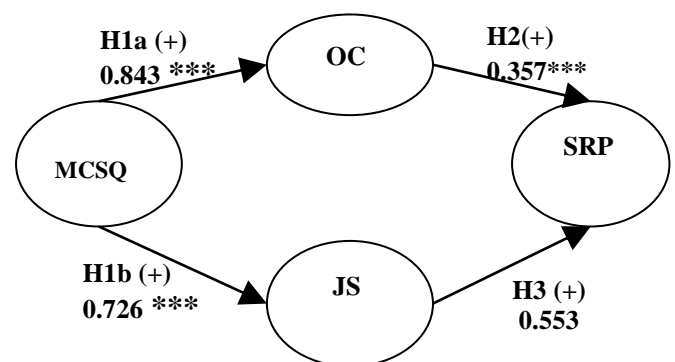


Figure 2. Test Results in Structural Models.

(\*): significant

The results of Hypothesis 1b testing show that MCSQ had a significant positive effect on CSO job satisfaction. The results of this test justify that the

high CSO's perception of human practices in terms of empowerment, reward, training, and service quality orientation will increase CSO job satisfaction. The results of the hypothesis 2 testing show that the higher CSOs organizational commitment, the higher their service recovery performance.

The results of hypothesis 3 testing show that CSO's job satisfaction had a positive and significant effect on service recovery performance. The results of this test show the same thing as the results of previous studies that show mixed results between one's attitude and academic performance. The results of these tests confirm previous research results because they show similar results. In addition, the results of this test also justify Bagozzi's (1992) attitude theory as its theoretical base. This research examines the role of MCS and how it is linked to service recovery performance through organizational commitment and job satisfaction. This study reconfirms the research model proposed by Babakus et al., (2003).

#### 4 CONCLUSION

Through a series of tests, the overall results of this study show that MCS, which is realized through the practice of simultaneous human resource management (empowerment, reward, training, and service quality orientation) will improve organizational commitment and job satisfaction among customer service officers at PT Bank Central Asia, Tbk. Surabaya, which in turn has the role of increasing their service recovery performance. This study contributes to the literature on human resource management which provides empirical evidence that the simultaneous implementation of human resource practices jointly affects organizational commitment and job satisfaction and service recovery performance.

There are some limitations to this study, where the main limitation is that the study used a survey approach that relied on cross-sectional data. For further research, longitudinal research is proposed to be used, so that data that show a change in attitude and behavior of the research subjects can be obtained. In addition, in this study, data on service recovery performance was taken based on the perception of CSOs, due to research time limitations that did not include customer ratings of the recovery performance of CSO services.

#### REFERENCES

Ashill, Nicholas J., M. Rodb & J.Carruthers. 2008. The Effect of Management Commitment to Service Quality on Front-

- line Employees' Job Attitudes, Turnover Intentions and Service Recovery Performance in a New Public Management Context. *Journal of Strategic Marketing* Vol. 16, No. 5, December 2008, 437-462
- Babakus, E., Yavas, U., Karatepe, O. M., & Avci, T. 2003. The Effect of Management Commitment to Service Quality on Employees' Affective and Performance Outcomes. *Journal of the Academy of Marketing Science*, 31, 272-286.
- Bagozzi, R.P. 1992. The self-regulation of attitudes, intentions and behavior. *Social Psychology Quarterly*, Vol. 55 No. 2, pp. 178-204.
- Bowen, D., & Lawler, E. (1995). Empowering service employees. *Sloan Management Review*, 36(4), 73-84.
- Forrester, R. 2000. Empowerment: Rejuvenating a potent idea. *Academy of Management Executive*, 14, 67-80.
- Hair, Joseph F., Black, William C., Babin, Barry J., Anderson, Rolph E. 2013. *Multivariate Data Analysis 7th Ed.* Upper Saddle River, New Jersey, Pearson Education, Inc.
- Hartline, M., & Ferrell, O.C. (1996). The management of customer-contact service employees: An empirical investigation. *Journal of Marketing*, 60(4), 52-70.
- Hart, C.W.L., Heskett, J.L., & Sasser, W.E., Jr. 1990. The profitable art of service recovery. *Harvard Business Review*, 68(4), 148-156.
- Kim, H.J., Tavitiyaman, P., Kim, W.G. 2009. The effect of Management Commitment to service on employee service behaviors: The Mediating Role of Job Satisfaction. *Journal of Hospitality & Tourism Research*, Vol. 33, No. 3, August 2009, 369-390
- Meyer, J., & Herscovitch, L. 2001. Commitment in the workplace: Toward a general model. *Human Resource Management Review*, 11(3), 299-326.
- Meyer, J., Stanley, D., Herscovitch, L., & Topolnysky, L. 2002. Affective, continuance, and normative commitment to the organization: A meta-analysis of antecedents, correlates, and consequences. *Journal of Vocational Behavior*, 61(1), 20-52.
- Mowday, R.T., Steers, R.M., & Porter, L.W. 1979. The measurement of organizational commitment. *Journal of Vocational Behavior*, 14(2), 224-247.
- Neuman, William Lawrence. 2003. *Social Research Methods: Qualitative and Quantitative Approaches 6th*, Boston Massachusetts: Allyn and Bacon.
- Pfeffer, J. 1994. Competitive advantage through people. *California Management Review*, 36(2), 9-28.
- Rod, Michel & Ashill, Nicholas J. 2010. Management Commitment to Service Quality and Service Recovery Performance: A study of Frontline Employees in Public and Private Hospitals. *Journal of Pharmaceutical and Healthcare Marketing*, Vol. 4 No. 1, 2010, pp. 84-103
- Rogg, K., Schmidt, D., Shull, C., & Schmitt, N. 2001. Human resource practices, organizational climate, and customer satisfaction. *Journal of Management*, 27(4), 431-449.
- Yoon, M., Beathy, S. & Suh, J. 2001, "The effect of work climate on critical employee and customer outcomes: an employee level analysis", *International Journal of Service Industry Management*, Vol. 12 No. 5, pp. 500-22.